



**STATE OF DELAWARE
OFFICE OF STATE TREASURER
BANK RECONCILIATIONS**

Independent Accountants' Report on Applying Agreed-upon Procedures

Quarters ended March 31, 2009 and June 30, 2009

**STATE OF DELAWARE
OFFICE OF STATE TREASURER
BANK RECONCILIATIONS**

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Independent Accountants' Report on Applying Agreed-upon Procedures

Mr. R. Thomas Wagner Jr.
State Auditor
Office of Auditor of Accounts
State of Delaware:

We have performed the procedures enumerated below, which were agreed to by the Office of State Treasurer and the Office of Auditor of Accounts, State of Delaware, solely to assist you in evaluating the bank reconciliations of the Office of State Treasurer as of and for the quarters ended March 31, 2009 and June 30, 2009. The Office of State Treasurer's management is responsible for the State's bank reconciliations. The agreed-upon procedures engagement was performed in accordance with *Government Auditing Standards*, issued by the Controller General of the United States, and the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings were as follows:

- Compared the list of accounts generated from the Delaware Financial Management System (DFMS) to the bank accounts reconciled by the State Treasurer's Office and the accounts included as part of each quarter's ending cash balance in cash account 1001 on DFMS and found them in agreement.
- Obtained the State Treasurer's Office reconciliation of bank balances to DFMS for each quarter, and performed the following:
 - For the March and June reconciliations, agreed each bank balance to the actual bank statements, and also agreed each book balance to the DFMS summary trial balance report. No exceptions were noted.
 - For the March and June reconciliations, obtained explanations and examined supporting documentation for reconciling items over \$3,300,000, including the subsequent clearing of these reconciling items in following months when applicable. No exceptions were noted.
 - Recalculated the March and June reconciliations for mathematical accuracy. No exceptions were noted.
 - For the March and June reconciliations, compared the types and amounts of reconciling items over \$3,300,000 for nonrecurring items. No items were noted that were both over \$3,300,000 and nonrecurring.
 - Agreed each quarter's ending cash balance to the Financial Report submitted to the Governor by the Secretary of Finance. No exceptions were noted.



- Obtained and reviewed Office of State Treasurer’s bank reconciliation policies and procedures dated February 28, 2000, in order to determine if these policies and procedures were applied when the Office of State Treasurer performed its reconciliations for the months ended March 31, 2009 and June 30, 2009. No deviation from written policy was noted.
- Obtained the Wire Transfer Log for each quarter and performed the following procedures:
 - Selected transfers for amounts in excess of \$3,300,000 for the March and June quarters and agreed the transfer information to the applicable month’s bank statements, ensuring both sides of the transfer actually occurred within one business day. No exceptions were noted.
 - Agreed the transfer activity selected to the appropriate postings in the accounts on the DFMS summary trial balance report. No exceptions were noted.
 - Haphazardly selected the following five transfers per quarter from the zero-balance bank accounts and agreed the net activity to the corresponding clearing in the concentration bank account. In addition, agreed the monthly posting of the zero balance and concentration account activity to the DFMS summary trial balance report. No exceptions were noted.

	<u>Wire date</u>	<u>Amount</u>
Quarter ended March 31, 2009	1/20/2009	\$ 4,578,518
	2/6/2009	11,584,700
	2/18/2009	5,890,093
	3/9/2009	4,921,079
	3/23/2009	7,573,245

	<u>Wire date</u>	<u>Amount</u>
Quarter ended June 30, 2009	4/2/2009	\$ 7,563,721
	5/7/2009	7,917,742
	5/20/2009	4,694,228
	6/9/2009	10,253,937
	6/17/2009	8,595,289

- Obtained the Office of State Treasurer’s General Account Reconciliation for the March and June quarters, summarized each quarter’s reconciliations into the form of Exhibit A attached, and performed the following procedures:
 - Agreed the bank account information to the corresponding bank statements. No exceptions were noted.
 - Agreed the ending book balance to the ending balance as reported in Exhibit B and to the quarter-end reconciliations. No exceptions were noted.
- Obtained the monthly rollforward of cash activity from the Office of State Treasurer, summarized the quarterly activity and obtained the “Proof of Cash Reconciliation” in the form of Exhibit B attached, and performed the following procedure:
 - Agreed the beginning balances to the prior month’s ending balances and agreed the ending balances to the monthly reconciliations. No exceptions were noted.



We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the specified bank reconciliations. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Office of State Treasurer and the Office of Auditor of Accounts, State of Delaware, and is not intended to be, and should not be, used by anyone other than these specified parties. However, under 29 Del.C., Section 10002(d), this report is a public record and its distribution is not limited. This report, as required by statute, was provided to the Governor, Controller General, Attorney General, Office of Management and Budget, and Department of Finance.

KPMG LLP

October 20, 2009

**STATE OF DELAWARE
OFFICE OF STATE TREASURER
BANK RECONCILIATIONS**

Schedule of Findings

Quarters ended March 31, 2009 and June 30, 2009

Current-Quarter Findings and Recommendations

No findings or recommendations noted.

**STATE OF DELAWARE
OFFICE OF STATE TREASURER
BANK RECONCILIATIONS**

General Account Cash Reconciliation

March 31, 2009

Balance per Citizens Bank	\$ 7,063,469
Balance per Mellon Bank	1,059,895
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Bank balance at March 31, 2009	8,123,364
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Additions:	
Investments managed by Morgan Bank, account number 830752	194,607,816
Investments managed by Wilmington Trust, account number 830754	501,297,275
Investments managed by Wachovia Bank, account number 830751	321,805,356
Receivables from various sources	149,424
Deposits in transit	757,467
Balance at Bank of New York Mellon, account numbers 353607, 353608 and 830753	155,735,148
Fidelity Government Obligation Bonds 1998A	89,494,727
Balance at Wilmington Trust, DELGIP, account number 830755	114,001,216
Wilmington Trust Land and Water Conservation Trust Fund #1 account number 830758	70,252,602
Balance at Bank of America, Division of Corp. State Lockbox, account number 2001800374	2,609,967
Balance at Wilmington Trust, Morgan Grenfield Intermediate, account number 830759	278,751,825
Balance at Bank of America, Labor Lockbox	85,359
Balance at PNC Bank, Concentration, account number 56-9401099-3	1,184,681
Balance at PNC Bank, DMR Special Services, account number 56-94003988	5,481
US Bank – Bonds #107954000	147,062
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Subtotal	1,730,885,406
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Deductions:	
Outstanding zero-balance accounts (ZBAs) – outstanding checks	72,430,500
Payable for bank errors	32,023
Payable to Mellon 07/98	10,069
Payable to PNC Bank miscellaneous adjustments	44,324
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Subtotal	72,516,916
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Balance per State Treasurer's books, adjusted, March 31, 2009	\$ <u>1,666,491,854</u>

**STATE OF DELAWARE
OFFICE OF STATE TREASURER
BANK RECONCILIATIONS**

General Account Cash Reconciliation

June 30, 2009

Balance per Citizens Bank	\$ 7,202,471
Balance per Mellon Bank	3,754,494
	<u>10,956,965</u>
Bank balance at June 30, 2009	
Additions:	
Investments managed by Morgan Bank, account number 830752	194,833,567
Investments managed by Wilmington Trust, account number 830754	529,778,977
Investments managed by Wachovia Bank, account number 830751	367,777,489
Receivables from various sources	190,234
Deposits in transit	861,452
Balance at Bank of New York Mellon, account numbers 353607, 353608 and 830753	156,260,515
Fidelity Government Obligation Bonds 1998A	18,844,986
Balance at Wilmington Trust, DELGIP, account number 830755	195,504,182
Wilmington Trust Land and Water Conservation Trust Fund #1 account number 830758	70,649,185
Balance at Bank of America, Division of Corp. State Lockbox, account number 2001800374	1,542,747
Balance at Wilmington Trust, Morgan Grenfield Intermediate, account number 830759	280,858,616
Balance at Bank of America, Labor Lockbox	178,436
Balance at Bank of America, Credit Cards, account number 00446706-4630	(815)
Balance at PNC Bank, Concentration, account number 56-9401099-3	1,334,122
Balance at PNC Bank, DMR Special Services, account number 56-94003988	4,732
US Bank – Bonds #107954000	149,062
	<u>1,818,767,487</u>
Subtotal	
Deductions:	
Outstanding ZBAs – outstanding checks	69,221,344
Payable for bank errors	32,016
Payable to Mellon 07/98	10,069
Payable to PNC Bank miscellaneous adjustments	44,324
	<u>69,307,753</u>
Subtotal	
Balance per State Treasurer's books, adjusted, June 30, 2009	<u>\$ 1,760,416,699</u>

**STATE OF DELAWARE
OFFICE OF STATE TREASURER
BANK RECONCILIATIONS**

Proof of Cash Reconciliation

Three months ended March 31, 2009

Balance per State Treasurer's books, January 1, 2009	\$ <u>1,506,404,047</u>
Additions:	
Deposits to cash receipts journal	2,049,003,888
Receivables for bank errors	566
Receivables for CM Forgery Credits	3,843
Outstanding cash receipts	21,703,622
Division of Mental Retardation transfer	(243,921)
Outstanding checks – prior months	<u>210,313,943</u>
Subtotal	<u>2,280,781,941</u>
Deductions:	
Deposits to cash receipts journal – credit card payments booked in transit	1,001,823
Deposits to cash receipts journal – prior months	31,489,387
Transfer for principal and interest on bonds	79,115,000
Transfer from Mellon Bank for payroll and pension direct deposit	412,896,138
Transfer from Mellon Bank to Mercantile Bank for pensions	41,794,762
Transfer from Mellon Bank for Coventry Healthcare	8,244
Transfer from Mellon Bank for Aetna Healthcare	5,753,220
Transfer from Mellon Bank for National Data Services	16,206
Transfer from Mellon Bank for Taipei Office	4,520
Transfer from Mellon Bank for Nat'l Citi Bank	950
Transfer from Mellon Bank for Def Comp	9,628,941
Transfer from Mellon Bank for Libego AB	2,796
Transfer from Mellon Bank for IFTA	156,477
Transfer from Mellon Bank for Medicaid	2,577,102
Transfer from Mellon Bank for ACI PMT	1,537,919
Transfer from Mellon Bank for SSI	275,600
Transfer from PNC Bank for bank fees, State Personnel Office	1,054
Transfer from PNC Bank for bonds	27,642,712
Transfer for federal income tax, FICA, and Medicare	129,868,998
ACH transfers	699,342,366
Bad-Check summary	(16,525)
Transfer for cleared ZBAs	458,187,868
Transfer for outstanding ZBAs	<u>219,408,576</u>
Subtotal	<u>2,120,694,134</u>
Balance per State Treasurer's books, adjusted, March 31, 2009	<u>\$ <u>1,666,491,854</u></u>

**STATE OF DELAWARE
OFFICE OF STATE TREASURER
BANK RECONCILIATIONS**

Proof of Cash Reconciliation

Three months ended June 30, 2009

Balance per State Treasurer's books, April 1, 2009	\$ <u>1,666,491,854</u>
Additions:	
Deposits to cash receipts journal	1,934,371,171
Receivables for bank errors	4,618
Receivables for CM Forgery Credits	17,154
Outstanding cash receipts	40,206,616
Division of Mental Retardation transfer	(748)
Outstanding checks – prior months	<u>204,033,198</u>
Subtotal	<u>2,178,632,009</u>
Deductions:	
Deposits to cash receipts journal – credit card payments booked in transit	1,681,285
Deposits to cash receipts journal – prior months	41,935,499
Transfer for principal and interest on bonds	23,465,000
Transfer from Mellon Bank for payroll and pension direct deposit	369,117,917
Transfer from Mellon Bank to Mercantile Bank for pensions	47,833,924
Transfer from Mellon Bank for Coventry Healthcare	11,372
Transfer from Mellon Bank for Aetna Healthcare	6,011,456
Transfer from Mellon Bank for Citizen's Bank	10,000,000
Transfer from Mellon Bank for Def Comp	8,207,956
Transfer from Mellon Bank for IRS	2,317
Transfer from Mellon Bank for IFTA	185,764
Transfer from Mellon Bank for Fox Rothschild	1,830,534
Transfer from Mellon for Medicaid	3,703,932
Transfer from Mellon for ACI PMT	1,323,242
Transfer from Mellon for SSI	166,000
Transfer from PNC Bank for bank fees, State Personnel Office	1,159
Transfer from PNC Bank for bonds	5,078,313
Transfer for federal income tax, FICA, and Medicare	112,522,150
ACH transfers	733,996,870
Bad Check Summary	(80,262)
Transfer for cleared ZBAs	516,888,694
Transfer for outstanding ZBAs	<u>200,824,042</u>
Subtotal	<u>2,084,707,164</u>
Balance per State Treasurer's books, adjusted June 30, 2009	<u><u>\$ 1,760,416,699</u></u>